

111TH CONGRESS
1ST SESSION

H. R. 3370

To permit qualified withdrawals from a capital construction fund account for the maintenance or repair of United States-flag vessels provided that the maintenance or repair is performed within the United States.

IN THE HOUSE OF REPRESENTATIVES

JULY 29, 2009

Mr. DAVIS of Alabama (for himself and Mr. BOUSTANY) introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committee on Transportation and Infrastructure, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To permit qualified withdrawals from a capital construction fund account for the maintenance or repair of United States-flag vessels provided that the maintenance or repair is performed within the United States.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Vessel Repair En-
5 hancement Act of 2009”.

1 **SEC. 2. EXPANSION OF VESSEL CAPITAL CONSTRUCTION**

2 **FUND.**

3 (a) AMENDMENTS TO TITLE 46.—

4 (1) QUALIFIED VESSEL.—Paragraph (5) of sec-
5 tion 53501(5) of title 46, United States Code, is
6 amended by striking “and” at the end of subpara-
7 graph (A), by striking the period at the end of sub-
8 paragraph (B) and inserting a semicolon, and by
9 adding at the end the following new subparagraphs:

10 “(C) a vessel—

11 “(i) documented under the laws of the
12 United States; and

13 “(ii) maintained or repaired in a pri-
14 vately owned shipyard located in the
15 United States; and

16 “(D) any floating drydock and related
17 shipyard infrastructure (including marine rail-
18 ways)—

19 “(i) located in the United States; and

20 “(ii) used to build, maintain, or repair
21 vessels documented under the laws of the
22 United States.”.

23 (2) ALLOWABLE PURPOSE FOR FUND.—Sub-
24 section (b) of section 53503 of title 46, United
25 States Code, is amended by inserting before the pe-
26 riod at the end the following: “or to provide mainte-

1 nance or repair of vessels documented under the
2 laws of the United States”.

3 (3) QUALIFIED WITHDRAWALS.—Subsection (a)
4 of section 53509 of title 46, United States Code, is
5 amended by striking “and is for—” and all that fol-
6 lows through the period at the end and inserting the
7 following: “and is for—

8 “(1) in the case of a qualified vessel described
9 in subparagraph (A), (B), or (D) of section
10 53501(5)—

11 “(A) the acquisition, construction, or re-
12 construction of such a qualified vessel or a
13 barge or container that is part of the com-
14 plement of such a qualified vessel; or

15 “(B) the payment of the principal on in-
16 debtedness incurred in the acquisition, con-
17 struction, or reconstruction of such a qualified
18 vessel or container that is part of the com-
19 plement of such a qualified vessel; or

20 “(2) in the case of a qualified vessel described
21 in subparagraph (C) of section 53501(5), mainte-
22 nance or repairs of such a qualified vessel.”.

23 (4) TAX TREATMENT OF QUALIFIED WITH-
24 DRAWALS.—

1 (A) ORDERING WITHDRAWALS.—Sub-
 2 section (a) of section 53510 of title 46, United
 3 States Code, is amended—

4 (i) by redesignating paragraphs (1),
 5 (2), and (3) as subparagraphs (A), (B),
 6 and (C), respectively, and by moving such
 7 subparagraphs (as so redesignated) 2 ems
 8 to the right,

9 (ii) by striking “(a) ORDER OF WITH-
 10 DRAWALS.—A qualified withdrawal” and
 11 inserting the following:

12 “(a) ORDER OF WITHDRAWALS.—

13 “(1) IN GENERAL.—Except as provided in para-
 14 graph (2), a qualified withdrawal”, and

15 (iii) by adding at the end the fol-
 16 lowing new paragraph:

17 “(2) SPECIAL RULE FOR CERTAIN MAINTEN-
 18 NANCE AND REPAIR WITHDRAWALS.—A qualified
 19 withdrawal described in section 53509(a)(2) shall be
 20 treated as made—

21 “(A) first from the ordinary income ac-
 22 count;

23 “(B) second from the capital gain account;
 24 and

25 “(C) third from the capital account.”.

1 (B) BASIS REDUCTIONS.—Section 53510
2 of title 46, United States Code, is amended by
3 adding at the end the following new subsection:
4 “(f) NO BASIS REDUCTION FOR CERTAIN QUALIFIED
5 WITHDRAWALS.—Subsections (b) and (c) shall not apply
6 to qualified withdrawals described in section
7 53509(a)(2).”.

8 (b) AMENDMENTS TO INTERNAL REVENUE CODE OF
9 1986.—

10 (1) QUALIFIED WITHDRAWALS.—Paragraph (1)
11 of section 7518(e) of the Internal Revenue Code of
12 1986 (relating to purposes of qualified withdrawals)
13 is amended by striking “but only if it is for:” and
14 all that follows through the period at the end of sub-
15 paragraph (C) and inserting the following: “but only
16 if it is for:

17 “(A) in the case of a qualified vessel de-
18 scribed in subparagraph (A), (B), or (D) of sec-
19 tion 53501(5) of title 46, United States Code—

20 “(i) the acquisition, construction, or
21 reconstruction of such a qualified vessel or
22 a barge or container that is part of the
23 complement of such a qualified vessel; or

24 “(ii) the payment of the principal on
25 indebtedness incurred in the acquisition,

construction, or reconstruction of such a
qualified vessel or container that is part of
the complement of such a qualified vessel;
or

“(B) in the case of a qualified vessel de-
scribed in subparagraph (C) of section
53501(5) of title 46, United States Code, main-
tenance or repairs of such a qualified vessel.”.

(2) TAX TREATMENT OF QUALIFIED WITH-
DRAWALS.—

(A) ORDERING WITHDRAWALS.—(i) Para-
graph (1) of section 7518(f) of such Code is
amended by redesignating subparagraphs (A),
(B), and (C) as clauses (i), (ii), and (iii), re-
spectively, and moving such clauses, as so re-
designated, 2 ems to the right,

(ii) by striking “(1) ORDERING RULE.—
Any qualified withdrawal” and inserting the fol-
lowing:

“(1) ORDERING RULE.—

“(A) IN GENERAL.—Except as provided in
subparagraph (B), any qualified withdrawal”,
and

(iii) by adding at the end the following new
subparagraph:

1 “(B) SPECIAL RULE FOR CERTAIN MAIN-
 2 TENANCE AND REPAIR WITHDRAWALS.—A
 3 qualified withdrawal described in subsection
 4 (e)(1)(B) shall be treated as made—

5 “(i) first from the ordinary income ac-
 6 count;

7 “(ii) second from the capital gain ac-
 8 count; and

9 “(iii) third from the capital account.”.

10 (3) BASIS REDUCTIONS.—Subsection (f) of sec-
 11 tion 7518 of such Code is amended by adding at the
 12 end the following new paragraph:

13 “(6) NO BASIS REDUCTION FOR CERTAIN
 14 QUALIFIED WITHDRAWALS.—Paragraphs (2) and (3)
 15 shall not apply to qualified withdrawals described in
 16 subsection (e)(1)(B).”.

17 (4) TECHNICAL AMENDMENT.—Subsection (i)
 18 of section 7518 of such Code is amended—

19 (A) by striking “section 607(k)” each place
 20 it appears and inserting “section 53501”,

21 (B) by striking “of the Merchant Marine
 22 Act, 1936” and inserting “of title 46, United
 23 States Code,” and

24 (C) by striking “as in effect on the date of
 25 the enactment of this section” and inserting “as

1 in effect on the date of the enactment of the
2 Vessel Repair Enhancement Act of 2009.”

3 (c) EFFECTIVE DATE.—The amendments made by
4 this section shall take effect on the date of the enactment
5 of this Act.

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